

MORE WITH BIOFORE

UPM – THE BIOFORE COMPANY

Kepler Cheuvreux Autumn Conference, Paris

Jussi Pesonen, CEO

September 2015



Contents

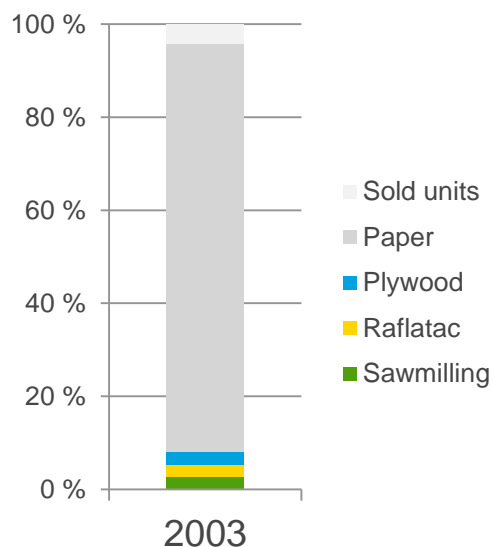
- UPM in transformation
- Capital allocation
- Q2 2015 results
- Summary

UPM IN TRANSFORMATION

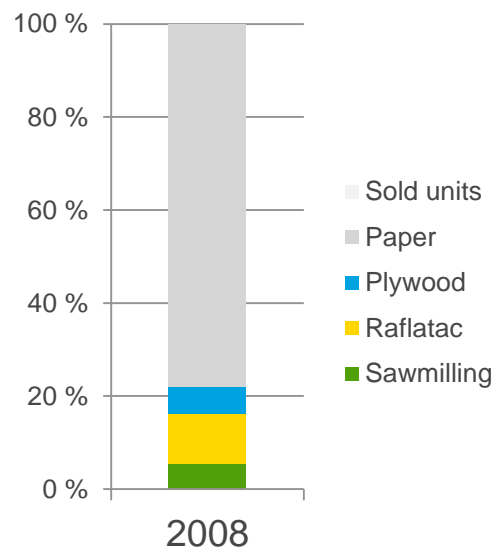
UPM in transformation

Business portfolio, sales

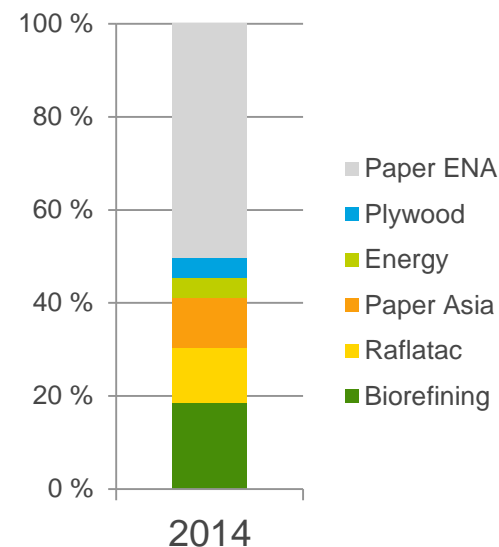
2003:
integrated paper company



2008:
towards market-driven businesses



2014:
six separate businesses



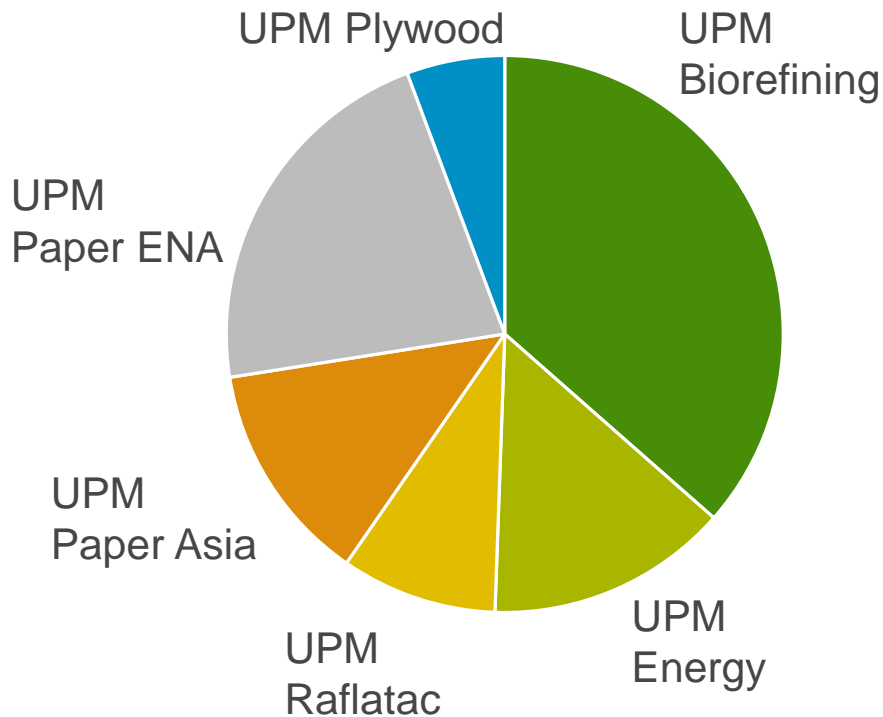
Sales	EUR 9.8bn
EBIT (*)	EUR 429m
Net debt	EUR 4.9bn
Market cap	EUR 7.9bn
Personnel	34,500

EUR 9.5bn
EUR 513m
EUR 4.3bn
EUR 4.7bn
25,000

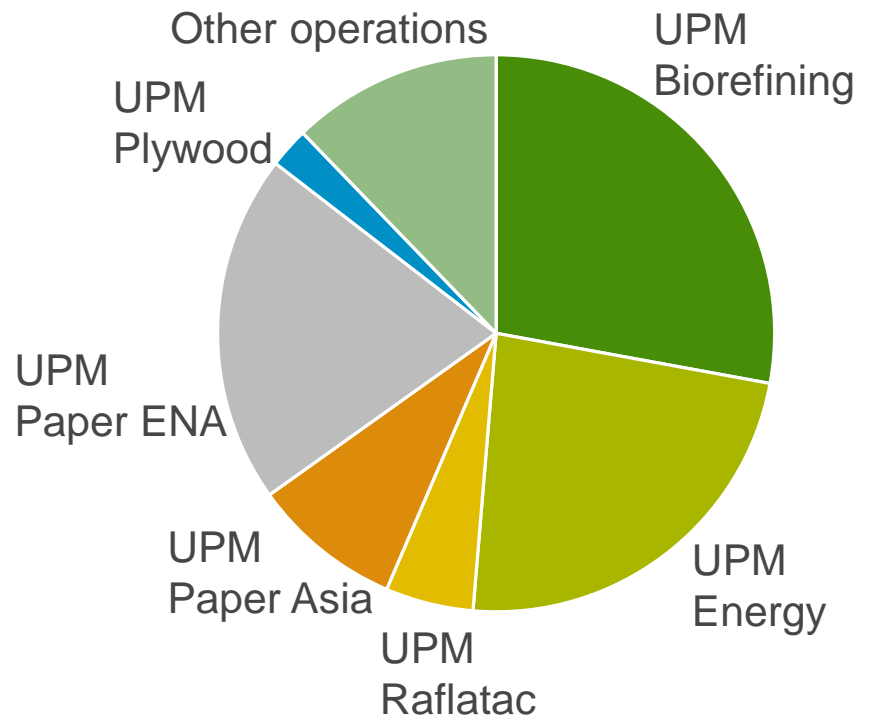
EUR 9.9bn
EUR 847m
EUR 2.4bn
EUR 7.3bn
20,400

UPM businesses by EBITDA generation and capital employed

**EBITDA Q314-Q215
EUR 1,320m**

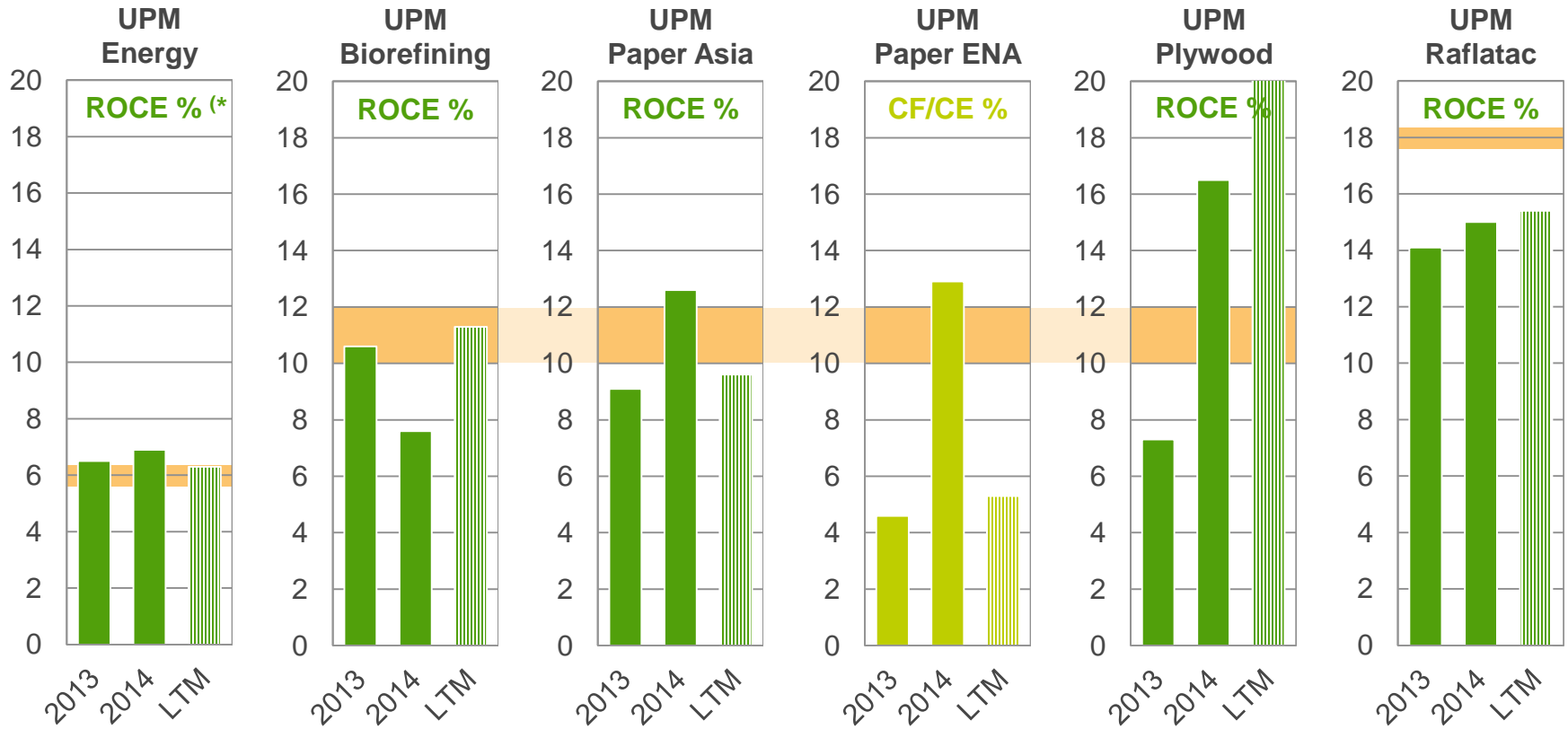


**Capital employed, June 2015
EUR 11bn**





Business area returns and long-term targets

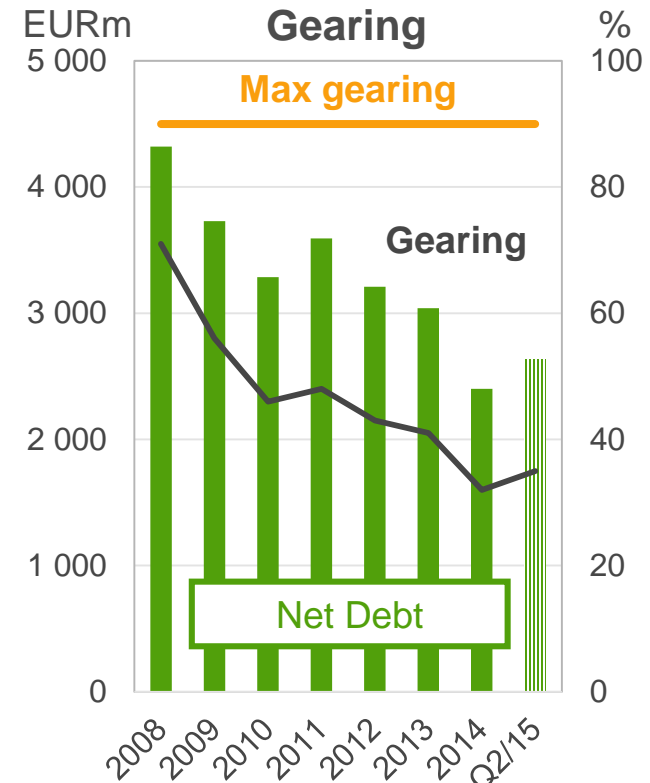
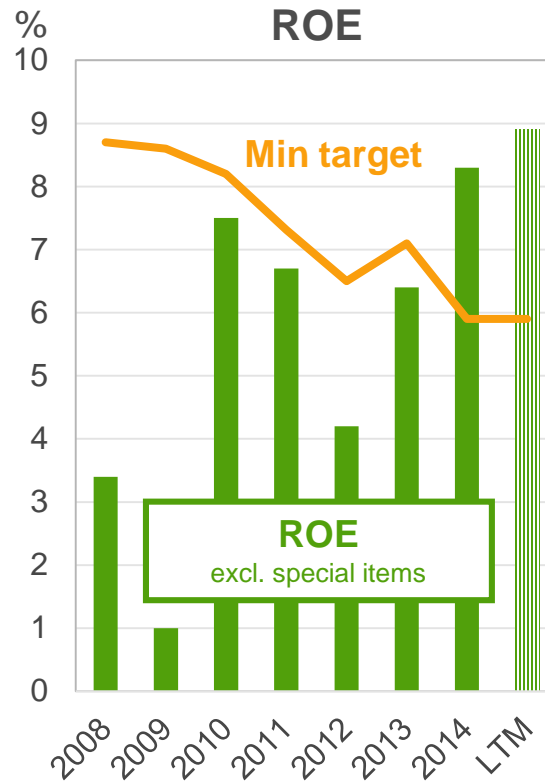
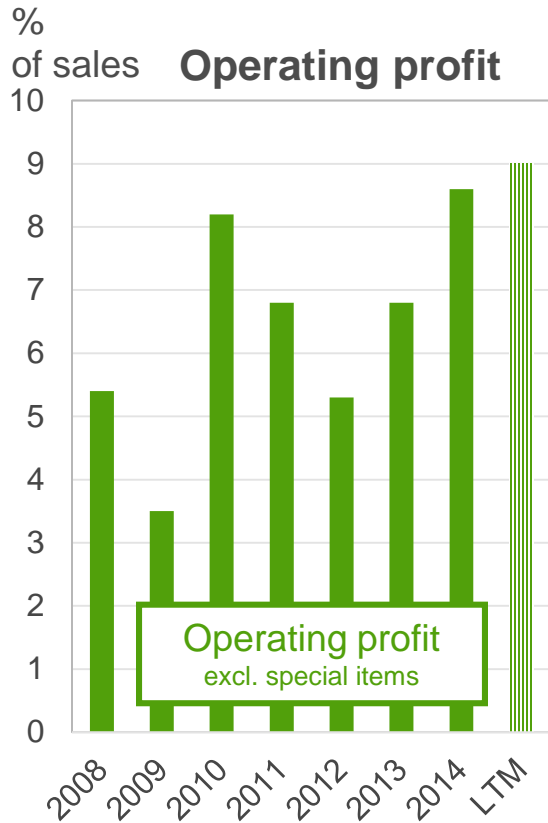


(* shareholdings in UPM Energy valued at fair value)

Long-term return target

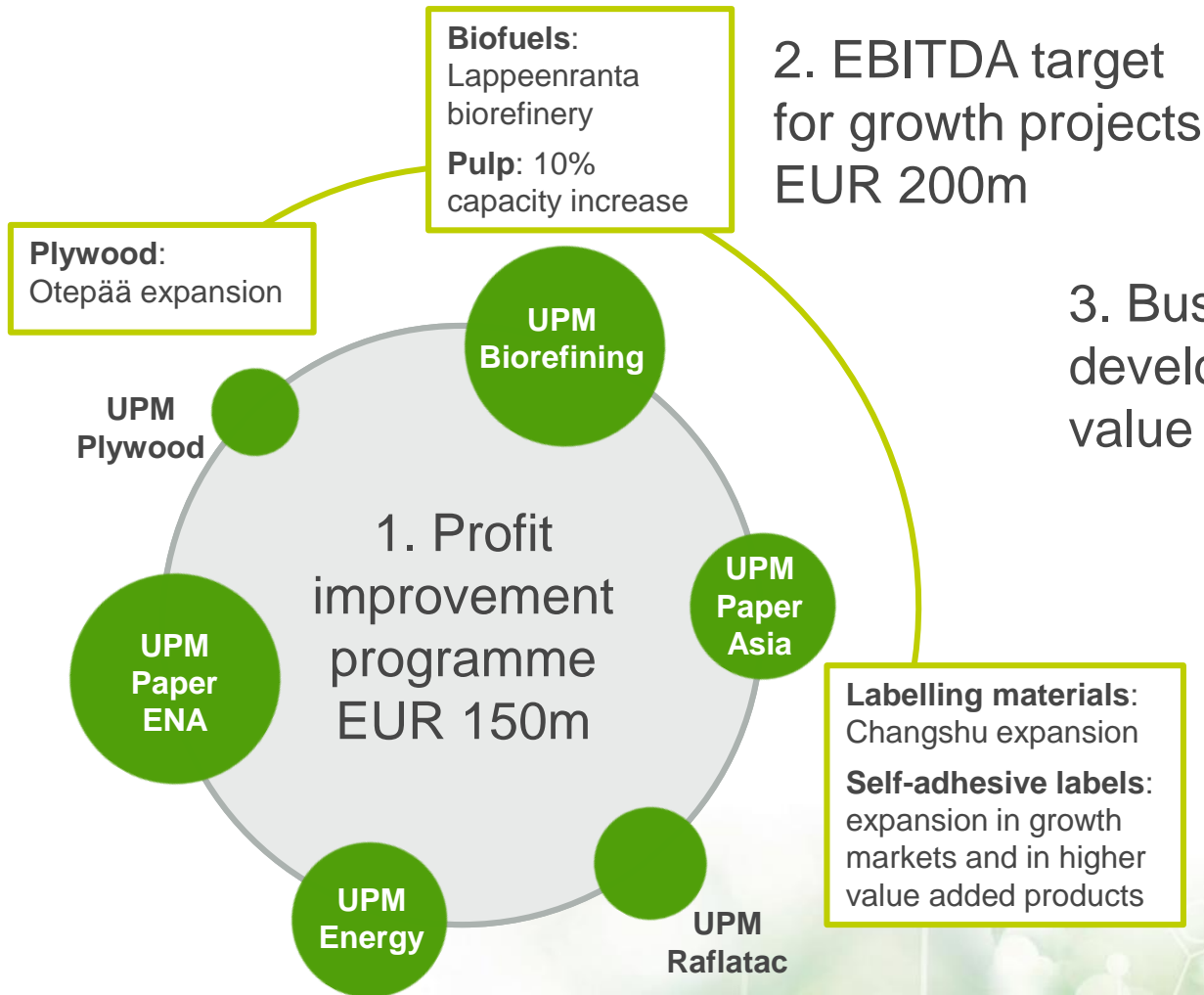


Group profitability and targets





UPM strategy in action

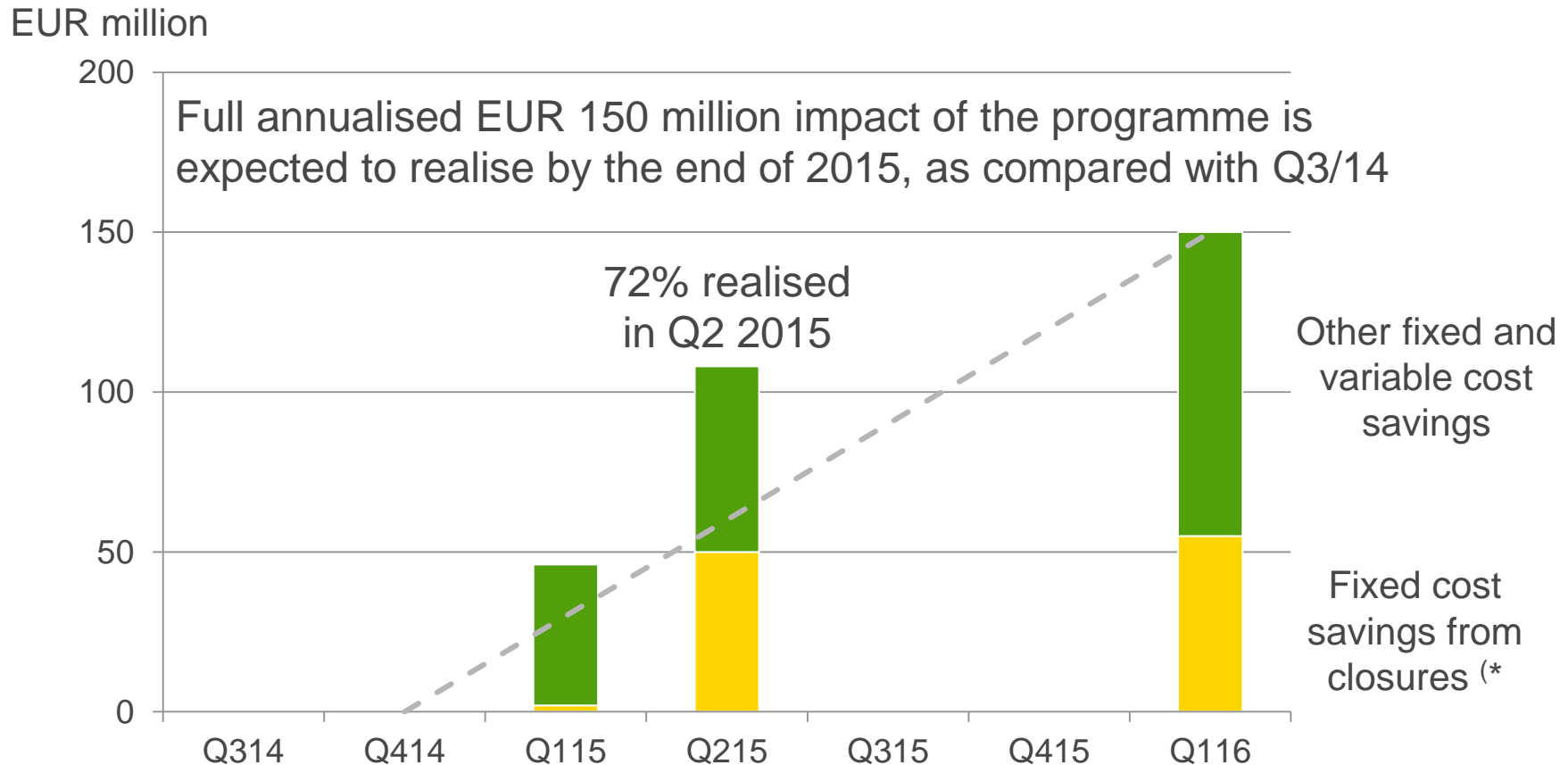


3. Business portfolio development and value creation

4. New businesses

-  BIOFUELS
-  BIOCHEMICALS
-  BIOCOMPOSITES

1. Profit improvement programme targeting EUR 150 million of fixed and variable cost savings



(* 800,000 tonnes of publication paper capacity in Europe: three paper machines were closed in Q1/15, one machine was closed in Q2/15)

2. Growth projects in ramp-up phase or nearing start-up

– EBITDA target EUR 200m

Pietarsaari
pulp mill
expansion
70,000t

Fray Bentos
pulp mill
expansion
100,000t

Lappeenranta
biorefinery
120m litres of
renewable diesel

Kymi
pulp mill
expansion
170,000t

Kaukas
pulp mill efficiency
improvement, paper and
pulp decoupling completed



Capex so far EUR 430m

Remaining Capex EUR 340m

Q2
2014

Q3
2014

Q4
2014

Q1
2015

**Q2
2015**

Q3
2015

Q4
2015

Q1
2016

Q2
2016

Q3
2016

Q4
2016



UPM Raflatac
50% expansion in
APAC, growth in filmic
labelstock in Poland

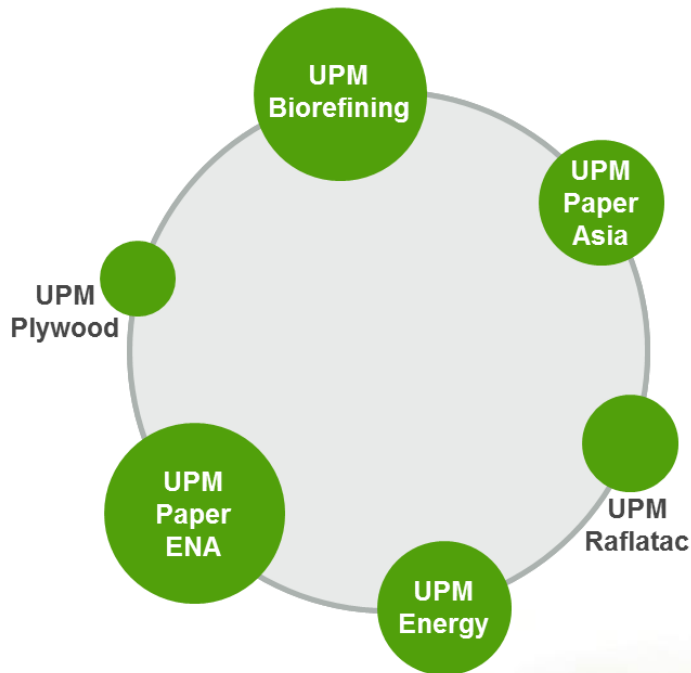


UPM Paper Asia
Changshu
new speciality
paper machine
360,000t



UPM Plywood
Otepää mill
expansion
to 90,000m³

3. Portfolio development and value creation



- **Performance:** targeting top performance in each business
- **Grow:** focused high-return growth investments and synergistic M&A
- **Simplify:** best value realisation for UPM
- **Consolidation** in European paper market, without increasing capital

4. New businesses based on UPM's development work



Biofuels: renewable diesel suitable for all diesel engines

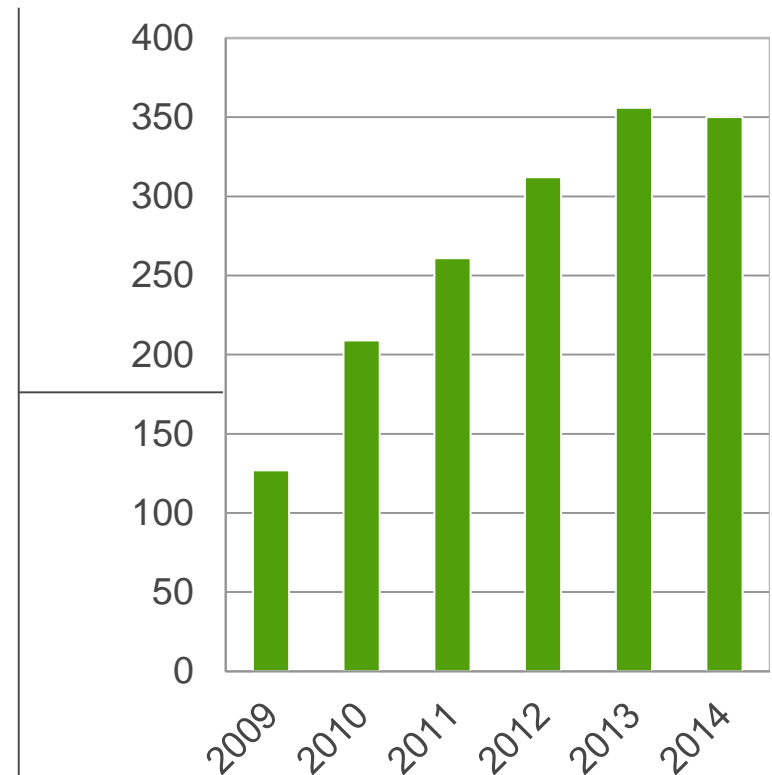


Biochemicals: renewable drop-in alternatives for oil-based chemicals



Biocomposites: for injection moulding to replace oil-based raw materials

Annual patent filings 2009–2014



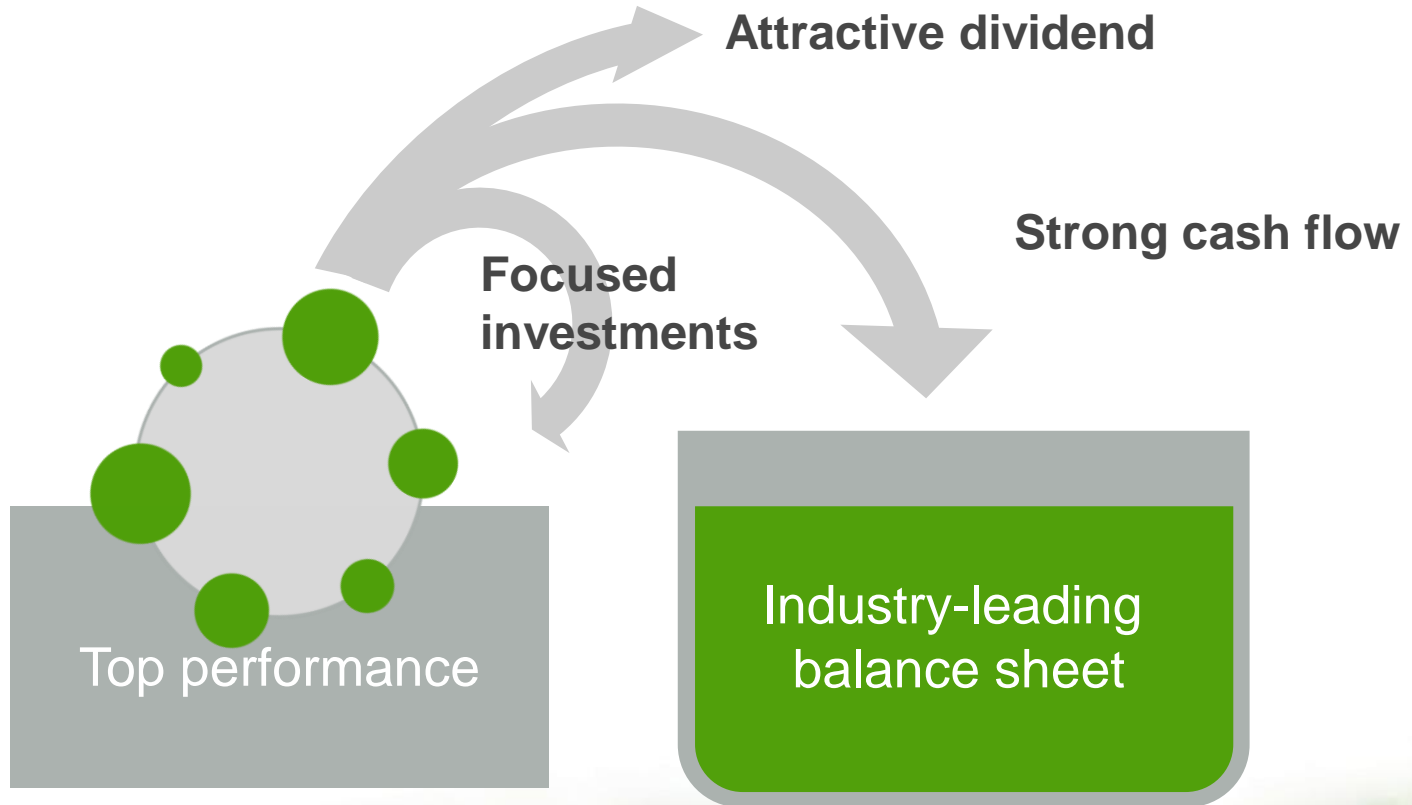
MORE WITH BIOFORE



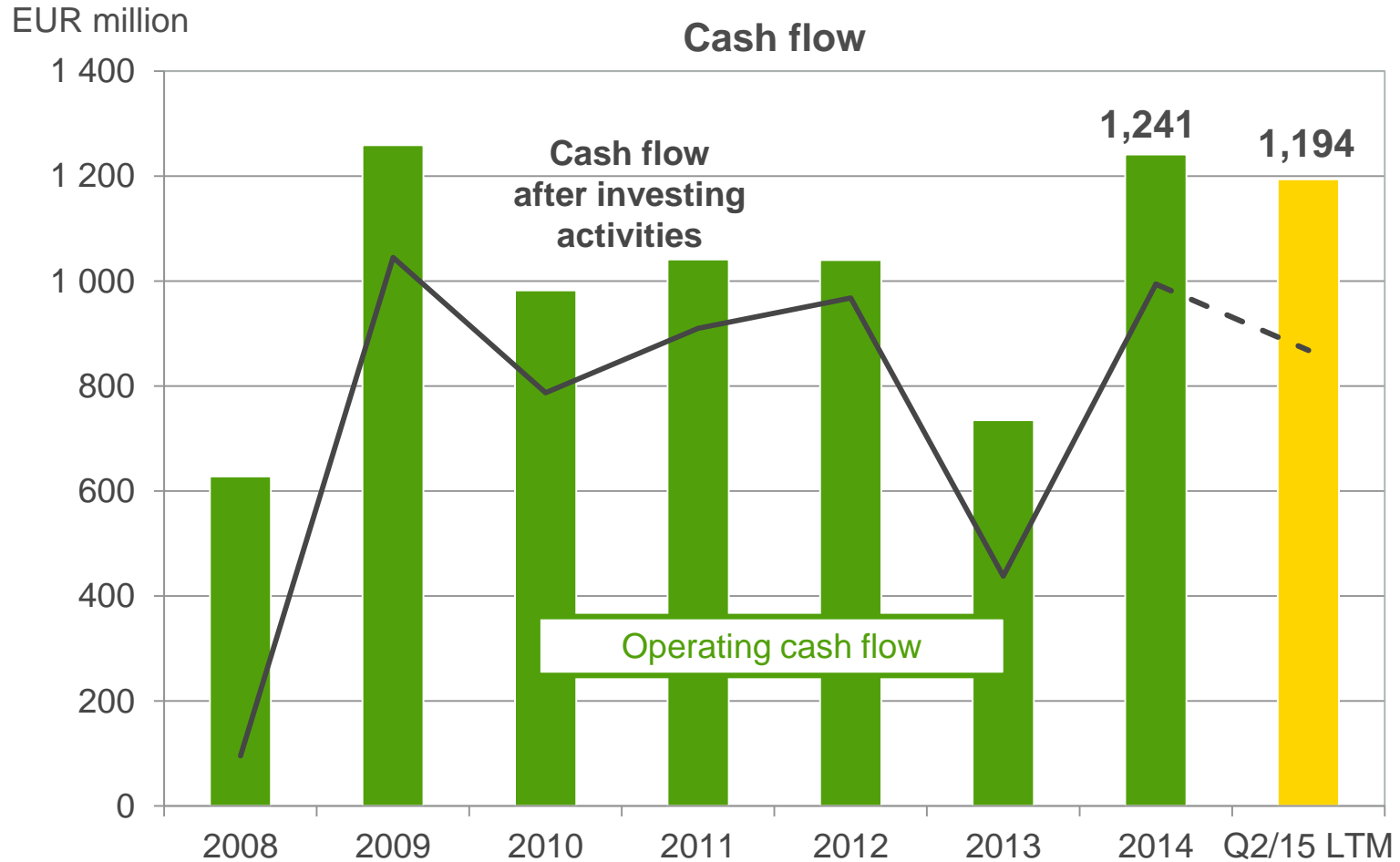
The Biofore Company **UPM**

CAPITAL ALLOCATION

Strengths of UPM's model

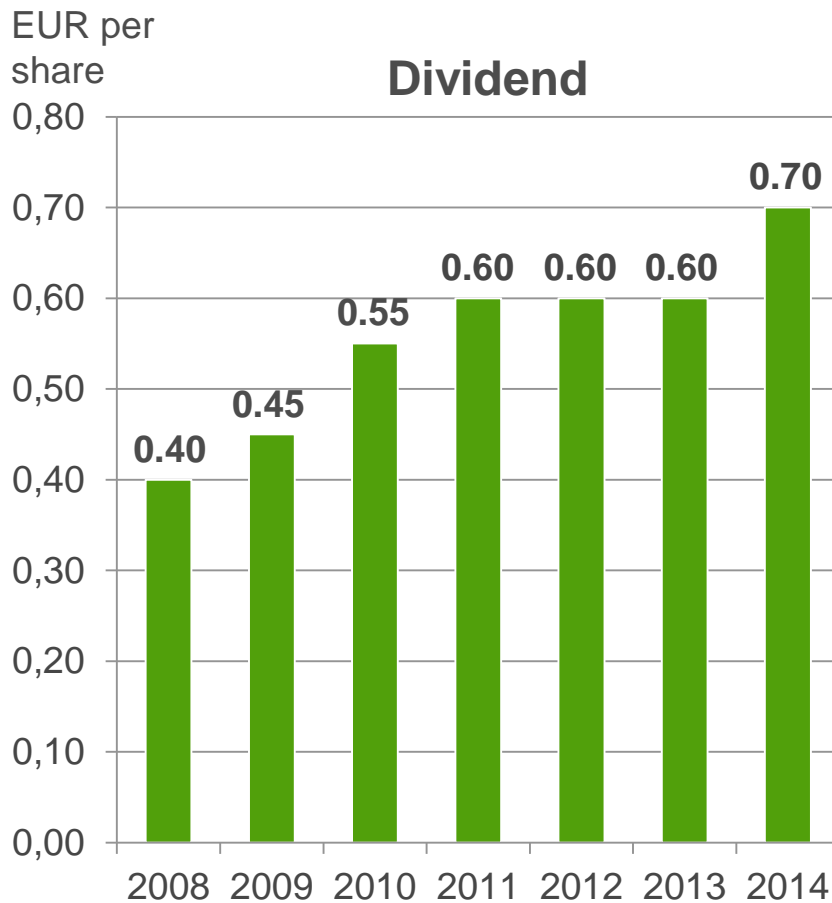


Strong cash flow





Dividend policy based on cash flow



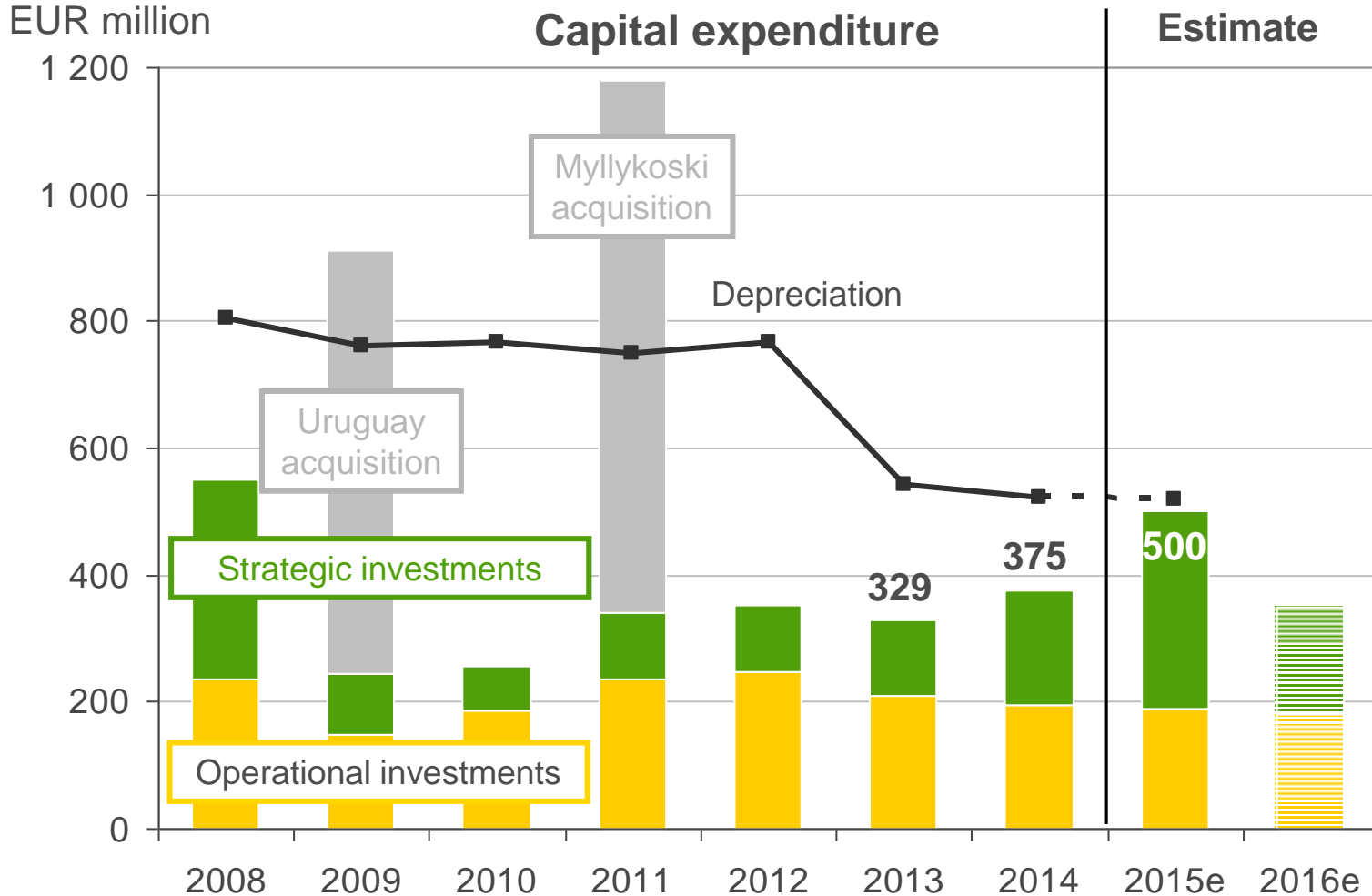
Dividend policy

- UPM aims to pay an attractive dividend, 30-40% of operating cash flow per share

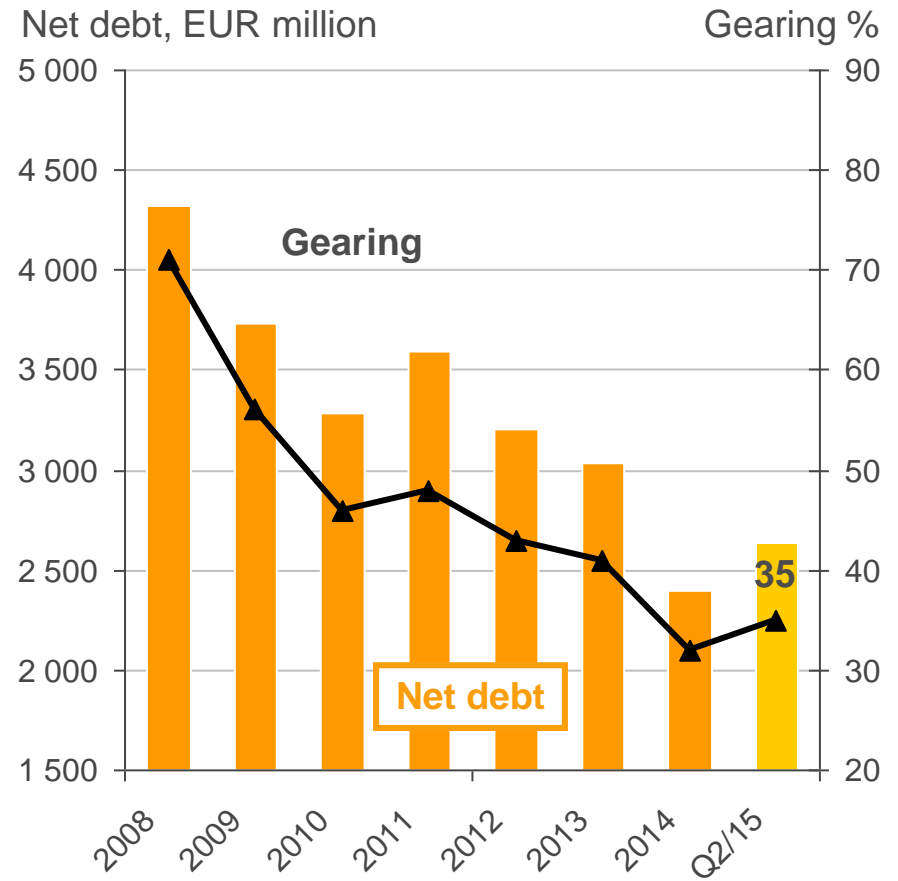
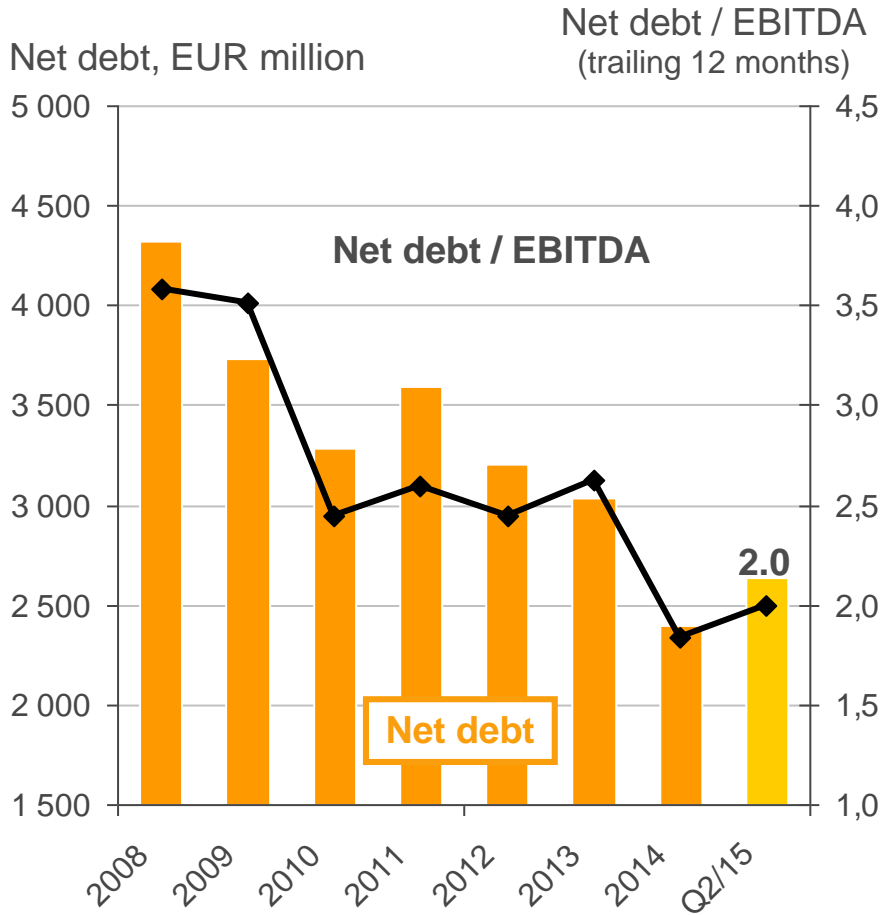
Dividend for 2014

- EUR 0.70 (0.60) per share
- 30% of 2014 operating cash flow per share

Low investment needs in existing assets allow growth projects with modest total capex



Strong balance sheet



Q2 2015 RESULTS



Q2 2015 – improvement year-on-year

Q2 2015 vs. Q2 2014:

Sales EUR 2,548m	▲	+4%	ROE (*) 9.1%	▲	+1.8pp
EBITDA EUR 317m	▲	+12m	Operating cash flow EUR 324m	▲	+109m
Operating profit (*) EUR 227m	▲	+41m	Net debt EUR 2,635m	▼	-290m
Profit before tax (*) EUR 203m	▲	+34m	Net debt / EBITDA 2.0x	▼	-0.4x
EPS (*) EUR 0.33	▲	+0.07	Operating cash flow / share, 12 month EUR 2.24	▲	+0.31



Summary

Operating profit increased in H1 2015

- Profit improvement actions and currencies outweighed the market headwinds in UPM Paper ENA and UPM Energy

UPM is well positioned for earnings growth

- Profit improvement programme continues
- More than half of the growth capex has been invested, nearly all of the EUR 200m EBITDA impact is yet to come
- Current exchange rates promise further tailwind

Strong cash flow and balance sheet

- ➔ UPM is in a unique position to simultaneously distribute attractive dividend, implement growth projects and act on strategic opportunities



UPM

The Biofore
Company